

STATE OF FLORIDA

Commissioners:  
JULIA L. JOHNSON, CHAIRMAN  
J. TERRY DEASON  
SUSAN F. CLARK  
DIANE K. KIESLING  
JOE GARCIA



DOCKET FILE COPY ORIGINAL  
GENERAL COUNSEL  
ROBERT D. VANDIVER  
(850) 413-6248

RECEIVED

OCT 16 1997

FCC MAIL ROOM

**Public Service Commission**

October 15, 1997

**BY AIRBORNE EXPRESS**

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street NW, Room 222  
Washington, DC 20554

Re: CC Docket No. 96-45 / Federal-State Joint Board on Universal Service.

CC Docket No. 97-160 - Forward-Looking Mechanism for High Cost Support for Non-Rural LECs.

Dear Mr. Caton:

Enclosed are an original plus 15 copies of the Florida Public Service Commission's Comments to Further Notice of Proposed Rulemaking to be filed in the above docket. Please date-stamp one copy and return it in the enclosed, self-addressed stamped envelope.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cynthia B. Miller".

Cynthia B. Miller  
Senior Attorney

CBM:jmb  
Enclosure  
cc: Parties of Record

Min. of Public Affairs  
10/16/97

0814

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

RECEIVED

OCT 16 1997

FCC MAIL ROOM

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	
	)	
Forward-Looking Mechanism	)	CC Docket No. 97-160
for High Cost Support for	)	
Non-Rural LECs	)	
	)	

---

COMMENTS OF THE  
FLORIDA PUBLIC SERVICE COMMISSION  
TO FURTHER NOTICE OF PROPOSED RULEMAKING  
SECTIONS III.C.5,7,8

The Florida Public Service Commission (FPSC) is pleased to provide additional comments in response to the FCC's Further Notice of Proposed Rulemaking (FNPRM) on proxy cost models. In the event Florida in the future establishes an intrastate fund, these comments are not intended to prejudge any similar issues that could arise in a docketed matter at the FPSC. The order of our comments tracks the order of the associated topics in the FCC's FNPRM.

**III.C.5. General Support Facilities**

General support facilities (GSF) consist primarily of the investment and expenses associated with vehicles, general purpose computers, land, and buildings. The FCC requests comment on the

appropriate method to estimate GSF costs that should be employed in the cost proxy model used to determine the cost of universal service. The FCC proposes that since the cost of land comprises a large portion of GSF costs, GSF costs should vary by state in order to acknowledge differences in land values. (§ 148)

The FPSC endorses the FCC's proposal, agreeing that these costs should not be computed on a nationwide or regional basis. However, we offer a slight modification to the FCC proposal. While the default calculation of GSF costs would be based on state-specific data on land and buildings and other GSF components, GSF costs could be computed at a more disaggregated level if an affected party could demonstrate that GSF costs in a given area deviate significantly from the statewide average. Further, it might be reasonable to set a minimum percentage variance from the statewide average value as a threshold for a party making a more disaggregated filing.

#### **III.C.7.a. Expenses in General**

The initial release of the Benchmark Cost Proxy Model (BCPM) estimated all expenses on a per line, per month basis, using data gleaned from a survey of large LECs. (This differs significantly from the predecessor models to BCPM, which computed most expenses based on expense-to-investment ratios derived from ARMIS reports.) The BCPM sponsors have indicated, however, that the

next release will allow expenses to be computed either on a per line basis, or as a function of expense-to-investment ratios. In contrast to BCPM, the Hatfield model computes most expenses based on ARMIS-derived ratios. (§ 155)

The FCC seeks comment on whether expenses for the forward-looking cost proxy model should be computed (1) on a per line basis, (2) using expense-to-investment ratios, or (3) using a combination of the two methods. Comment is also sought on whether expense estimates should be differentiated according to firm size. (§ 157)

As discussed below, the FPSC believes that certain expenses are best estimated as a function of the investment with which they are associated, while other expense categories are instead generally incurred on a per line basis.

We believe that the universal service cost proxy model adopted by the FCC should have all expenses disaggregated by detailed USOA account, rather than by USOA roll-up account or at a higher level.

### **III.C.7.b. Plant-Specific Expenses**

Plant-specific expenses consist primarily of expenses associated with the maintenance of facilities and equipment. While BCPM Release 1 estimated these expenses on a per line

basis, Hatfield generally uses expense-to-investment ratios (although the source for the data varies). (§ 160)

The FCC asks for comments on how best to estimate plant-specific expenses in a forward-looking cost proxy model. The FCC also requests that parties comment on whether maintenance expense derived by the models should consider plant mix (e.g., if deployment of aerial cable increases maintenance expenses), and whether expenses vary as a function of climate or soil type. (§ 162)

The FPSC believes that the state Joint Board staff members' recommendation to compute plant-specific operating costs as a percentage of investment is appropriate, but we disagree that a single set of percentages should be applied nationwide. Labor costs are a major component of these expenses, and we believe it is self-evident that labor rates vary throughout the country. Accordingly, we believe that any approach to estimating plant-specific expenses must allow for some method that accounts for variations in labor costs.

The FPSC proposes that state-specific expense-to-investment percentages be developed for plant-specific expenses, and that these ratios be considered the default values for the federal universal service cost proxy model. These default percentages should be calculated for each USOA plant-specific expense account, instead of the summary expense subaccounts. Computing,

for example, individual ratios for aerial cable and buried cable expense (as opposed to just the roll-up account, Cable and Wire Facilities expenses) implicitly acknowledges the effects of plant mix on the level of expenses. Further, affected parties should be allowed to petition the FCC to use values that differ from these defaults (e.g., disaggregated below the state level); however, such parties should have the burden of demonstrating the reasonableness and superiority of the values they propose.

#### **III.C.7.c. Plant Non-Specific Expenses**

Plant non-specific expenses are network-related expenses such as engineering, network operations, testing, and power. It appears that both BCPM and Hatfield currently estimate these expenses on a per line basis. The FPSC believes that a per line basis is reasonable, but since labor costs account for a sizeable portion of plant non-specific expenses we propose that default per line values be derived for each state. These default per line values should be calculated for each USOA plant non-specific expense account, instead of just the summary expense subaccounts. For example, Network Operations Expense, a roll-up account, consists of five accounts, including Power, and Network Administration. Requiring account-specific values to be derived will facilitate an evaluation of the reasonableness of the expense inputs over time. Here too, we believe that affected

parties should be allowed to petition the FCC to use values that differ from these defaults (e.g., disaggregated below the state level); however, such parties should have the burden of demonstrating the reasonableness and superiority of the values they propose.

#### **III.C.7.d. Customer Services**

These expenses pertain to marketing, billing, and directory listing expenses. BCPM estimates these expenses on a per line basis for the two roll-up accounts, Marketing and Services. Hatfield estimates, on a per line basis, costs associated with bill generation, billing inquiries, directory listing expense, and local number portability, but excludes all marketing costs. (¶ 166)

The State Joint Board staff members recommended that BCPM's estimated Services expenses be reduced by 29% to exclude expenses related to operator services and directory assistance; they also recommended excluding all marketing expenses from the cost of supported universal services. (¶ 167) With some finetuning, the FPSC believes that the Joint Board staff's proposal is the most reasonable. First, we believe the per line amounts should be derived on a state-specific basis, as opposed to the nationwide values recommended by State staff. Second, only expenses in account 6623, Customer Services, should be used in the

computation; this has the effect of excluding costs related to operator services and directory assistance, as recommended by State staff. Third, affected parties should be allowed to petition the FCC to use values that differ from these defaults (e.g., disaggregated below the state level); however, such parties should have the burden of demonstrating the reasonableness and superiority of the values they propose.

Respectfully submitted,



CYNTHIA B. MILLER  
Senior Attorney  
FLORIDA PUBLIC SERVICE COMMISSION  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

DATED: October 15, 1997

RECEIVED

OCT 16 1997

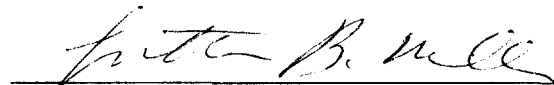
Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

FCC MAIL ROOM

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	
	)	
Forward-Looking Mechanism	)	CC Docket No. 97-160
for High Cost Support for	)	
Non-Rural LECs	)	
_____	)	

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY on this 15<sup>th</sup> day of October, 1997, a true and correct copy of the foregoing Florida Public Service Commission's Petition for Declaratory Statement, Waiver, and Clarification and Request for Expedited Ruling will be furnished to parties on the mailing list previously used in this docket.

  
\_\_\_\_\_  
Cynthia B. Miller  
Senior Attorney